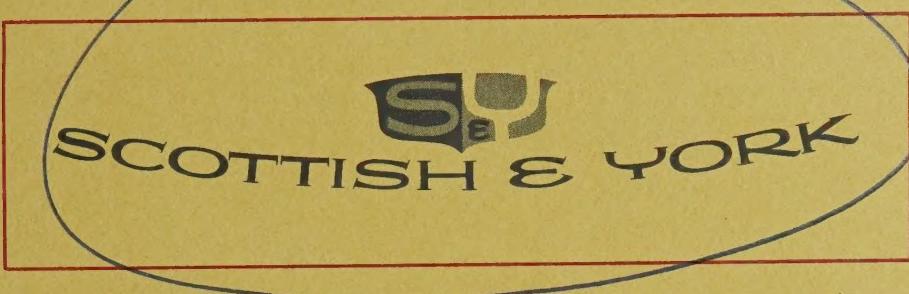


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# *Annual Report*

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*Scottish & York Holdings Limited*

*Board of Directors*

S. F. CHAPMAN

K. H. DOYLE

A. D. MCEWEN

S. L. McCABE

K. R. THOMSON

J. A. TORY

*Officers*

K. R. THOMSON

K. H. DOYLE

S. F. CHAPMAN

S. L. McCABE

*Transfer Agents*

MONTRÉAL TRUST COMPANY

*Auditors*

THORNE, GUNN, HELLIWELL & CHRISTENSON

*Bank*

THE ROYAL BANK OF CANADA

*Executive Office*

100 UNIVERSITY AVENUE, TORONTO, CANADA

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*Scottish & York Holdings Group*

SCOTTISH & YORK INSURANCE COMPANY LIMITED

OFFICERS

The Rt. Hon. Lord Thomson of Fleet  
K. H. Doyle  
S. F. Chapman  
S. L. McCabe

VICTORIA INSURANCE COMPANY OF CANADA

OFFICERS

The Rt. Hon. Lord Thomson of Fleet  
K. H. Doyle  
S. F. Chapman  
S. L. McCabe

VICTORIA INSURANCE COMPANY LIMITED

(*NASSAU, BAHAMAS*)

CENTRAL CANADA INSURANCE SERVICE LIMITED

ONTARIO INSURANCE SERVICE

OVERSEAS INSURANCE SERVICES

(*UNITED KINGDOM*)

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## *Report of the Board of Directors of Scottish & York Holdings Limited*

We are pleased to submit the annual report of your Company and its subsidiaries for the year ended December 31, 1967.

Your Company and its subsidiaries produced another record year with gross premiums written amounting to \$7,873,037.00, an increase of 20% over 1966.

We have included in this year's report a 5-year performance record of the Scottish & York group. You will note particularly the substantial increase in both gross and net premiums written for the current year. In addition we have been successful in increasing the amount of net premiums written in relation to gross premiums written by reducing our dollar exposure on individual contracts and increasing our spread of risk. This policy has naturally increased our deferred revenue account. However, this account will reflect in earnings in future years.

As previously reported, your Company's income taxes were reduced by .16¢ per share in 1966, as a result of the application of previous years losses of a subsidiary company. Income taxes in 1967 have increased substantially due to the fact that prior year's losses were completely utilized by the end of 1966. Per share earnings before income taxes amounted to .77¢ in 1967 compared to .62¢ in 1966. After tax earnings amounted to .475¢ per share in 1967 compared to .46¢ per share in 1966.

In the auditor's notes to financial statements special attention should be paid to note number five. We have found in the past when producing our annual reports that other companies from whom we accept reinsurance have not made sufficient provision for outstanding losses. In addition to absorbing \$68,562.00 of 1966 claims in the current year's operations we have also established an additional reserve for unreported claims of 10% of known claims so far as assumed reinsurance is concerned. This should adequately cover unreported losses which may come to our attention in 1968.

At the suggestion of the Ontario Department of Insurance we have adopted a new policy respecting commissions received for reinsurance placed by Scottish & York Insurance Company Limited with other companies. Under this policy a reserve has been established in 1967 for the unearned portion of such commissions in excess of commissions paid to agents. In order that earnings for 1966 will be comparable with those for the current year we have restated 1966 earnings to reflect the establishment of a similar reserve.

Your Directors have established a dividend policy of 5¢ per quarter and the first dividend on the increased basis was paid January 15, 1968.

The outlook of the group for 1968 is heartening. Our operations in London, England and Nassau, Bahamas are now underway and the results are meeting our every expectation.

During 1968 we also intend to establish an office in the United States. This step is fully warranted by the volume of business already committed to us.

Enclosed with this report is a notice of the annual meeting of the shareholders to be held on the 30th of May, 1968.

On behalf of the Directors and personally I wish to express my sincere appreciation and thanks to the officers and staff of your Company for their efforts throughout the year. Many shareholders of the Company have seen fit to express their satisfaction with the growth of your Company and I would also like to take this opportunity to thank them for their confidence.

Submitted on behalf of the Board of Directors

K. H. DOYLE, President.

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# *Scottish & York Holdings Limited*

(Incorporated under the laws of Ontario)

## *and its subsidiary companies*

### *Consolidated Balance Sheet December 31, 1967*

(with comparative figures for 1966)

#### ASSETS

CURRENT ASSETS	1967	1966
Cash .....	\$1,090,793	\$1,187,334
Marketable securities		
Bonds, at cost or amortized cost and accrued interest (market value 1967, \$2,358,367; 1966, \$1,827,352) .....	2,624,656	1,930,723
Stocks, at cost (market value 1967, \$1,051,973; 1966, \$190,438) .....	1,098,115	203,519
Accounts receivable, less allowance for doubtful accounts .....	1,542,174	1,308,128
Prepaid expenses .....	2,889	5,560
	<u>6,358,627</u>	<u>4,635,264</u>
FIXED ASSETS		
Furniture, fixtures and automobiles, at cost .....	48,724	48,934
Less accumulated depreciation .....	32,729	28,859
	<u>15,995</u>	<u>20,075</u>
OTHER ASSETS		
Investment, at cost .....	1,651	1,500
Special refundable tax .....	30,438	24,856
Agencies, agreements and contracts, at cost .....	110,116	110,116
Premium paid on acquisition of shares of subsidiary companies (note 3) .....	65,037	65,037
	<u>207,242</u>	<u>201,509</u>
	<u>\$6,581,864</u>	<u>\$4,856,848</u>

Approved on behalf of the Board

K. H. DOYLE, Director

S. F. CHAPMAN, Director

TO THE SHAREHOLDERS OF  
SCOTTISH & YORK HOLDINGS LIMITED

We have examined the consolidated balance sheet of Scottish & York Holdings Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a

general review of accounting considered nec

In our opinion present fairly December 31, the source and

#### Auditor's Report

## LIABILITIES

CURRENT LIABILITIES	1967	1966 (Note 2)
Bank loan .....	\$ 250,000	
Accounts payable and accrued liabilities .....	670,036	\$ 507,673
Customers' deposits .....	30,750	30,500
Dividends payable .....	75,000	30,000
Provision for outstanding claims .....	1,821,344	1,333,249
Income, premium and special refundable taxes payable .....	102,021	234,908
	2,949,151	2,136,330
<b>DEFERRED REVENUE</b> .....	<b>1,480,032</b>	<b>1,090,416</b>
<b>INTEREST OF MINORITY COMMON SHAREHOLDERS OF SUBSIDIARY COMPANIES</b> .....	<b>22,104</b>	<b>17,484</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
Authorized		
10,000 First preference shares, par value \$50 each, issuable in series		
2,000,000 Common shares without par value		
Issued		
1,500,000 Common shares (note 4) .....	501,000	501,000
<b>RETAINED EARNINGS</b> .....	<b>1,629,577</b>	<b>1,111,618</b>
	<b>2,130,577</b>	<b>1,612,618</b>
	<b>\$6,581,864</b>	<b>\$4,856,848</b>

he accounting procedures and such tests  
ards and other supporting evidence as we  
ry in the circumstances.

these consolidated financial statements  
financial position of the companies as at  
and the results of their operations and  
lication of their funds for the year then

ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes as described in note 2 to the consolidated financial statements.

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Toronto, Canada CHARTERED ACCOUNTANTS  
March 19, 1968

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**Scottish & York Holdings Limited**  
and its subsidiary companies

**Notes to Consolidated Financial Statements**  
YEAR ENDED DECEMBER 31, 1967

**1. BASIS OF CONSOLIDATION**

The consolidated financial statements include all the subsidiary companies, which are:

Scottish & York Insurance Co. Limited  
Central Canada Insurance Service Limited  
Victoria Insurance Company of Canada  
Victoria Insurance Company Limited

Victoria Insurance Company Limited was incorporated on December 6, 1967 but did not commence operations until 1968.

**2. RESTATEMENT OF 1966 FIGURES**

The balance of retained earnings at December 31, 1966 has been restated from the amount previously reported to reflect the adjustment of prior years' income in the amount of \$79,052 with respect to the establishment of a provision for unearned commissions on reinsurance in the amount of \$168,832 less the applicable income tax recovery of \$87,625 and minority interest adjustment. The provision was established in accordance with the recommendation of the Ontario Department of Insurance. The company has made a similar provision for 1967 and will continue this policy in future years.

The portion of the adjustment applicable to 1966 amounting to \$60,424 has been retroactively applied to the statement of income for 1966. The remainder of the adjustment amounting to \$18,628 is applicable to prior years. In addition, the charge of \$63,705 for adjustment of prior years' claims, previously included in the statement of retained earnings for 1966, has been reflected in the adjustment to retained earnings at January 1, 1966.

The appropriate 1966 comparative figures in the balance sheet have been restated.

**3. PREMIUM PAID ON ACQUISITION OF SHARES OF SUBSIDIARY COMPANIES**

Premium paid on acquisition of shares of Central	
Canada Insurance Service Limited .....	\$143,628
Less excess of book value of assets purchased over pur-	
chase price of shares of Victoria Insurance Company	
of Canada .....	78,591
	<u>\$ 65,037</u>

**4. CAPITAL STOCK**

During the year 500,000 issued common shares were subdivided three for one.

**5. PROVISION FOR OUTSTANDING CLAIMS**

An under-provision for outstanding claims in 1966 with respect to assumed reinsurance in the amount of \$68,562 has been reflected in the 1967 operations. Also included in the current year's accounts is a provision for all known outstanding claims with respect to assumed reinsurance and an additional 10% of the known outstanding claims has been included to cover unreported claims.

**6. INCOME TAXES**

Income taxes for 1966 have been reduced by \$243,500 as a result of the application of previous years' losses of a subsidiary company.

**7. OTHER STATUTORY INFORMATION**

Direct remuneration of directors and senior officers (as defined by The Corporations Act) amounts to \$57,800 for 1967.

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*Scottish & York Holdings Limited*  
and its subsidiary companies

*Consolidated Statement of Income*

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
		(Note 2)
Income before undernoted items .....	\$1,170,234	\$ 939,305
Directors' fees .....	6,000	6,000
Depreciation .....	4,704	5,915
	<hr/>	<hr/>
	10,704	11,915
	<hr/>	<hr/>
Income taxes .....	1,159,530	927,390
	441,951	233,636
	<hr/>	<hr/>
	717,579	693,754
Interest of minority common shareholders of subsidiary companies .....	4,620	3,084
Net income for the year .....	<hr/>	<hr/>
	\$ 712,959	\$ 690,670
	<hr/>	<hr/>

*Consolidated Statement of Retained Earnings*

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
Retained earnings at beginning of year		
As previously reported .....	\$1,190,670	\$ 613,281
Adjustments (note 2)	(79,052)	(82,333)
	<hr/>	<hr/>
As restated .....	1,111,618	530,948
Net income for the year .....	712,959	690,670
	<hr/>	<hr/>
	1,824,577	1,221,618
Dividends on common shares .....	195,000	110,000
Retained earnings at end of year .....	<hr/>	<hr/>
	\$1,629,577	\$1,111,618
	<hr/>	<hr/>

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*Scottish & York Holdings Limited*  
and its subsidiary companies

*Consolidated Statement of Source and Application of Funds*  
YEAR ENDED DECEMBER 31, 1967  
(with comparative figures for 1966)

	1967	1966	(Note 2)
<b>SOURCE OF FUNDS</b>			
Operations			
Net income for the year .....	\$ 712,959	\$ 690,670	
Add items not involving a current outlay of funds			
Depreciation .....	4,704	5,915	
Interest of minority common shareholders of subsidiary companies .....	4,620	3,084	
	<hr/>	<hr/>	
	722,283	699,669	
Increase in deferred revenue .....	389,616	648,594	
Sale of fixed assets .....	1,946	1,350	
	<hr/>	<hr/>	
	1,113,845	1,349,613	
<b>APPLICATION OF FUNDS</b>			
Additions to fixed assets .....	2,570	2,780	
Special refundable tax .....	5,582	24,856	
Other investments .....	151		
Dividends on common shares .....	195,000	110,000	
	<hr/>	<hr/>	
	203,303	137,636	
Increase in working capital .....	910,542	1,211,977	
Working capital at beginning of year .....	2,498,934	1,286,957	
Working capital at end of year .....	<hr/>	<hr/>	
	\$3,409,476	\$2,498,934	

*Scottish & York Holdings Group*  
*5 year Performance Record*

	<u>Gross Premiums Written</u>	<u>Net Premiums Written</u>	<u>Deferred Revenue</u>	<u>Income Before Taxes</u>	<u>Income Taxes</u>	<u>Net Income</u>	<u>Earnings Per Share</u>	<u>Dividends Paid Per Share</u>
1967	7,873,037	4,626,134	1,480,032	1,154,910	441,951	712,959	.475¢	.13¢
1966	6,580,000	3,604,772	1,090,416	924,306	233,636	690,670	.46¢	.073¢
1965	4,415,409	1,451,313	364,206	536,555	127,231	409,324	.27¢	.067¢
1964	2,969,291	1,155,478	582,167	367,214	173,040	194,174	.13¢	.046¢
1963	1,670,671	635,290	79,625	238,919	104,922	133,997	.09¢	.04¢

Note: Per share amounts prior to 1967 adjusted for three-for-one subdivision of capital stock made in November 1967 and two-for-one subdivision of capital stock made in June 1966.







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SCOTTISH & YORK HOLDINGS LIMITED  
and its Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME  
Six months ended June 30th, 1967

	<u>1967</u>	<u>1966</u>
Gross Premiums Written and other Revenue	3,788,000	2,745,000
Net Income Before Taxes	748,302	360,510
Provision for Taxes	365,230	91,776
Net Income After Taxes	383,072	268,734
Profit per Share	76¢	53¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
Six months ended June 30th, 1967

	<u>1967</u>	<u>1966</u>
Source of Funds		
From operations	383,072	193,512
Increase in Deferred Revenue	49,657	283,675
Increase in interest of minority common shareholders of subsidiary companies	2,460	1,550
	<u>435,189</u>	<u>478,737</u>
Application of Funds		
Additions to furniture, fixtures & automobiles	1,279	1,235
Dividends to common shareholders	75,000	50,000
	<u>76,279</u>	<u>51,235</u>
Increase in working capital	358,910	427,502
Working capital at beginning of period	2,411,309	1,330,482
	<u>\$ 2,770,219</u>	<u>\$ 1,757,984</u>
Current Assets	5,081,902	3,297,249
Current Liabilities	2,311,683	1,539,265
	<u>\$ 2,770,219</u>	<u>\$ 1,757,984</u>

August 15th, 1967

K. H. Doyle,  
President